

**Arabian Pipes Company**  
(A Saudi Joint Stock Company)  
**Interim Condensed Financial Statements and**  
**Financial Statements and**  
**Report on Review of Interim Condensed**  
**Financial Statements**  
**For the Six Month Period Ended June 30, 2019**

**Arabian Pipes Company**  
(A Saudi Joint Stock Company)  
**Interim Condensed Financial Statements and Financial Statements and Independent Auditors' Report**  
**Report on Review of Interim Condensed Financial Statements**  
**For the six month period ended June 30, 2019**

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**Table of Contents**

	<b><u>Page</u></b>
Report on Review of Interim Condensed Financial Statements	1
Condensed Statement of Financial Position as at June 30, 2019	2
Condensed Statement of Profit or Loss and Other Comprehensive Income for the six month period ended June 30, 2019	3
Condensed Statement of Cash Flows for the six month period ended June 30, 2019	4
Condensed Statement of Changes in Equity for the six month period ended June 30, 2019	5
Notes to the Interim Condensed Financial Statements for the six month period ended June 30, 2019	6-11



# ASSOCIATED ACCOUNTANTS

Houmod Al Robian and Co. - Certified Accountants and Consultants

## Independent Auditor's Review Report

To, The Shareholders  
Arabian Pipes Company  
(A Saudi Joint Stock Company)  
Riyadh - Saudi Arabia

### Introduction

We have reviewed the accompanying interim condensed statement of financial position of Arabian Pipes Company - (a Saudi Joint Stock Company) (the "Company") as at June 30, 2019 and the related interim condensed statements of income and comprehensive income, for the three-month and six-month periods ended June 30, 2019, and the related interim condensed Statements of changes in shareholders' equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

August 1, 2019

Associated Accountants  
Independent Member of Geneva Group International






Hamoud Ali Al-Rubian  
(License No. 222)

**Arabian Pipes Company**  
(A Saudi Joint Stock Company)  
**Condensed Statement of Financial Position**  
**as of June 30, 2019**  
(All amounts are in Saudi Riyal "000" unless otherwise stated)

<u>Assets</u>	<u>Note</u>	<u>June 30, 2019</u> <u>(Unaudited)</u>	<u>December 31, 2018</u> <u>(Audited)</u>
Non-current assets:			
Property and equipment, net		363,410	373,394
Right-of-use asset	5	22,780	-
Total non-current assets		386,190	373,394
Current assets:			
Inventories		642,167	551,903
Accounts receivables		97,641	145,837
Other receivables and prepayments		57,955	43,000
Cash and cash equivalents		51,976	13,499
Total current assets		849,739	754,239
<b>Total assets</b>		<b>1,235,929</b>	<b>1,127,633</b>
<b><u>Shareholders' Equity and Liabilities</u></b>			
Shareholders' equity:			
Share capital		400,000	400,000
Statutory reserve	6	120,000	159,427
General reserve		-	31,438
Accumulated losses		(4,801)	(91,852)
Actuarial loss reserve		(94)	(94)
Total shareholders' equity		515,105	498,919
Liabilities:			
Non-current liabilities:			
Lease liability – Non-current portion	5	19,136	-
Employees' benefit obligation		13,115	11,649
Total non-current liabilities		32,251	11,649
Current liabilities:			
Lease liabilities – Current portion	5	4,033	-
Long term liabilities – Current portion	7	78,000	80,000
Short term loans	8	507,341	405,503
Notes payables		73,888	109,789
Due to related party	9	341	291
Accounts payables		10,341	6,433
Other payables and accruals		9,029	7,584
Zakat payable	10	5,600	7,465
Total current liabilities		688,573	617,065
Total liabilities		720,824	628,714
<b>Total shareholders' equity and liabilities</b>		<b>1,235,929</b>	<b>1,127,633</b>

The accompanying notes from 1 to 15 are an integral part of these interim condensed financial statements

Homoud Ali Alhamzah CFO 	Ahmed Ali Al-Lohidan CEO 	Haitham Tawfeeq Ibrahim Al-Foraih Authorized Board of Directors Member 
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**Arabian Pipes Company**  
(A Saudi Joint Stock Company)  
**Condensed Statement of Profit or Loss and Other Comprehensive Income**  
**for the six month period ended June 30, 2019**  
(All amounts are in Saudi Riyal "000" unless otherwise stated)

		<u>Three-months period ended</u>		<u>Six-month period ended</u>	
	<u>Note</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Revenues		191,529	165,722	371,557	287,666
Cost of revenues		(166,465)	(158,905)	(324,102)	(278,035)
Gross income		25,064	6,817	47,455	9,631
Selling and distribution expenses		(2,535)	(1,795)	(6,064)	(5,003)
General and administrative expenses		(4,289)	(5,278)	(9,162)	(9,984)
Operating income/(loss)		18,240	(256)	32,229	(5,356)
Reversal for slow moving inventory		-	-	2,079	3,370
Other income		264	757	667	1,682
Finance charges		(9,093)	(6,642)	(16,342)	(13,423)
Net income/(loss) before Zakat		9,411	(6,141)	18,633	(13,727)
Zakat charge	10	(1,326)	(1,816)	(2,447)	(3,077)
Net income/(loss) for the year		8,085	(7,957)	16,186	(16,804)
<b>Other Comprehensive Income:</b>					
Items that will not be reclassified to profit or loss:					
Actuarial (loss)/gains from re-measurement of employees' benefit obligation					
		-	-	-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>8,085</b>	<b>(7,957)</b>	<b>16,186</b>	<b>(16,804)</b>
<b>Basic and diluted earnings/(loss) per share</b>		<b>0.20</b>	<b>(0.20)</b>	<b>0.40</b>	<b>(0.42)</b>



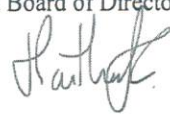
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Homoud Ali Alhamzah CFO	Ahmed Ali Al-Lohidan CEO	Haitham Tawfeeq Ibrahim Al-Foraih Authorized Board of Directors Member
		

**Arabian Pipes Company**  
(A Saudi Joint Stock Company)  
**Condensed Statement of Cash Flows**  
**for the six month period ended June 30, 2019**  
(All amounts are in Saudi Riyal "000" unless otherwise stated)

	June 30, 2019	June 30, 2018
<b>Cash Flows from Operating Activities:</b>		
Net income/(loss) for the year	18,633	(13,727)
Adjustment to reconcile net income/(loss) to net cash flows (used in)/provided by operating activities:		
Depreciation of property and equipment	12,836	13,059
Depreciation of right-of-use asset	946	-
Finance charges	16,342	13,423
Employees' benefit obligation cost	1,514	1,327
Reversal for slow moving inventory	(2,079)	(3,370)
	<u>48,192</u>	<u>10,712</u>
Changes in the components of working capital:		
(Increase)/Decrease in inventory	(88,185)	44,098
Decrease in accounts receivable	48,196	20,372
Increase in other receivables and prepayments	(14,955)	-
Due to related party	50	(140)
Increase/(Decrease) in accounts payable	3,908	(7,295)
Increase in other payables and accruals	1,445	-
Accrued finance cost	(8,672)	-
Finance cost paid	(8,228)	(11,093)
Employees' benefit obligation paid	(47)	(976)
Zakat paid	(4,312)	(3,442)
Net cash flows (used in)/provided by operating activities	<u>(22,608)</u>	<u>52,236</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property, plant and equipment	(2,852)	(5,476)
Cash flows used in investing activities	<u>(2,852)</u>	<u>(5,476)</u>
<b>Cash Flows from Financing Activities:</b>		
Net movement in short term loans	101,838	(4,375)
Overdraft	-	(3,168)
Net movement in notes payables	(35,901)	(13,270)
Net movement in long term loans	(2,000)	-
Net cash flows provided by/(used in) financing activities	<u>63,937</u>	<u>(20,813)</u>
<b>Net cash generated during the year</b>	<u>38,477</u>	<u>25,947</u>
Cash and cash equivalents at the beginning of the year	13,499	16,814
<b>Cash and cash equivalents at the end of the year</b>	<u>51,976</u>	<u>42,761</u>

The accompanying notes from 1 to 15 are an integral part of these interim condensed financial statements

Homoud Ali Alhamzah CFO	Ahmed Ali Al-Lohidan CEO	Haitham Tawfeeq Ibrahim Al-Foraih Authorized Board of Directors Member
		

**Arabian Pipes Company**  
(A Saudi Joint Stock Company)  
**Condensed Statement of Changes in Shareholders' Equity**  
**for the six month period ended June 30, 2019**  
(All amounts are in Saudi Riyal "000" unless otherwise stated)

	Share capital	Statutory reserve	General reserve	Retained earnings/(accumulated losses)	Actuarial loss reserve	Total
Balance at December 31, 2017	400,000	159,427	31,438	30,847	-	621,712
Net loss for the year	-	-	-	(16,804)	-	(16,804)
Balance as of June 30, 2018	400,000	159,427	31,438	14,043	-	604,908
Balance as of December 31, 2018	400,000	159,427	31,438	(91,852)	(94)	498,919
Net income for the year	-	-	-	16,186	-	16,186
Transfer of reserve to accumulated losses	-	(39,427)	(31,438)	70,865	-	-
<b>Balance as of June 31, 2019</b>	<b>400,000</b>	<b>120,000</b>	<b>-</b>	<b>(4,801)</b>	<b>(94)</b>	<b>515,105</b>

The accompanying notes from 1 to 15 are an integral part of these interim condensed financial statements

Homoud Ali Alhamzah  
CFO



Ahmed Ali-Al-Lohidan  
CEO



Haitham Tawfeeq Ibrahim Al-Foraih  
Authorized Board of Directors Member





**Arabian Pipes Company**  
(A Saudi Joint Stock Company)  
**Notes to the Interim Condensed Financial Statements**  
**for the six month period ended June 30, 2019**  
(All amounts are in Saudi Riyal “000” unless otherwise stated)

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**1- Legal Status and Activities**

Arabian Pipes Company is a Saudi Joint Stock Company (“the Company”) was formed according to Ministry of Commerce Decree No. 922 dated 18 Thul-Qi’dah 1411H corresponding to June 1, 1991. The Company is registered in the Kingdom of Saudi Arabia (“KSA”) under Commercial Registration No. 1010085734 dated 14 Safar 1412H corresponding to August 25, 1991.

The main activities of the Company are the production of steel pipes longitudinally welded for pipelines and for the purposes of construction, trade, marketing, bending and forming a toothing pipe and pipe coating inside and outside and doing the business of buying and selling pipes and fittings and accessories and the implementation of the extension of pipelines.

The Company operates under industrial license for Riyadh plant No. 434 dated 12 Thul-Qi’dah 1405H and amended by industrial license No. 2196 dated 16 Rajab 1436H and industrial license for Jubail plant No. 1109 dated 12 Thul-Qi’dah 1419 H and amended by industrial license No. 2195 dated 16 Rajab 1436H and industrial license for coating factory No. 479 dated 26 Safar 1436H.

The accompanying interim condensed financial statements include the accounts of the Company and its branches as follows:

<b>Factory Name</b>	<b>CR number</b>	<b>Date</b>
Riyadh factory	1010188732	27 Jumada I 1424
Jubail factory	2055007048	21 Rabi Thani 1426

**2- Basis of Preparation:**

These Interim Condensed Financial Statements have been prepared in accordance with IAS 34 interim Financial Reporting that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (“SOCPA”) and should be read in conjunction with the Company’s last annual Financial Statements as at and for the year ended December 31, 2018 (“last annual Financial Statements”). They do not include all of the information required for a complete set of IFRS Financial Statements, however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual Financial Statements.

**Basis of measurement**

The interim condensed financial statements have been prepared under the historical cost method, unless otherwise stated as explained in the significant accounting policies (Note 4).

**Use of judgment and estimates**

In preparing these interim condensed financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts as assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 16, which are described in Note 4.2.

**3- Functional and Presentation Currency**

These interim condensed financial statements have been presented in Saudi Riyals, which is the functional and presentation currency of the Company. All figures have been rounded off to the nearest thousand Saudi Riyal (SR) unless otherwise mentioned.



## **Arabian Pipes Company**

(A Saudi Joint Stock Company)

### **Notes to the Interim Condensed Financial Statements for the six month period ended June 30, 2019**

(All amounts are in Saudi Riyal “000” unless otherwise stated)

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#### **4- Significant Accounting Policies**

##### **New standards, amendment to standard and interpretations**

The Company has adopted IFRS 16 using the simplified method, with the effect of applying this standard recognized at the date of initial application (i.e. January 1, 2019). Accordingly, the information presented for the previous year has not been restated, as previously reported, under IAS 17 and related interpretations. There are no other new standards issued, however, there is a number of amendments to standards which are effective from January 1, 2020, but they do not have a material effect of the Company's interim condensed financial statements.

##### **Changes in significant accounting policies**

Except as described below, the accounting policies in these interim condensed financial statements are the same as those applied in the last annual financial statements as at and for the year ended December 31, 2018. The changes in accounting policies are also expected to be reflected in the annual financial statements for the year ending December 31, 2019.

##### **Leases (IFRS 16)**

The Company has recognized new assets and liabilities for its operating leases of various types of contracts including land and accommodation/office rental. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

- Right-of-use assets are measured at cost comprising the following:
  - The amount of the initial measurement of the lease liability
  - Any lease payment made at or before the commencement date less any lease incentive received
  - Any initial direct costs, and
  - Restoration costs.
- Lease liabilities include the net present value of the following lease payments:
  - Fixed payments (including in-substance fixed payments), less any lease incentives receivable
  - Variable lease payments that are based on an index or a rate
  - Amounts expected to be payable by the lessee under residual value guarantees
  - The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
  - Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate i.e. the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in interim condensed statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental financing rate as of January 1, 2019. The weighted average lessee's incremental financing rate applied to the lease liabilities on January 1, 2019 was 5%.

**Arabian Pipes Company**  
(A Saudi Joint Stock Company)  
**Notes to the Interim Condensed Financial Statements**  
**for the six month period ended June 30, 2019**  
(All amounts are in Saudi Riyal “000” unless otherwise stated)

**4- Significant accounting policies (Continued):**

**Leases (IFRS 16) (Continued):**

	<b>January 1, 2019</b>
Operating lease commitments disclosed as at December 31, 2018	<b>14,603</b>
Discounted using the Company’s incremental financing rate of 5%	9,933
Add: adjustments relating to changes in the index or rate affecting variable payments	12,673
<b>Lease liability recognized as at January 1, 2019</b>	<b>22,606</b>

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position as at December 31, 2018. Prepayments reduced by SR 1.12 million. The net impact on retained earnings on January 1, 2019 was Nil.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases.

The Company has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

**Government Grants**

The Company received an interest-free loan from the government. Government grants are initially recognized at fair value when there is a reasonable assurance that it will be received and the Company will comply with the conditions associated with the grant.

Government grants are recognized in the statement of comprehensive income or loss on a systematic basis, in which the Company recognizes the expenses.

**5- Leases**

**Right-of-use asset**

The statement of financial position shows the following amounts relating to leases:

**Right-of-use assets- Land and Building**

	<b>June 30, 2019</b>
Lease liabilities as at January 1, 2019	<b>22,606</b>
Prepaid Rent as at December 31, 2018-Reclassified	<b>1,120</b>
Balance as at January 1, 2019	<b>23,726</b>
Additions during the period	-
<b>Balance as at June 30, 2019</b>	<b>23,726</b>
<b><u>Accumulated depreciation</u></b>	
Balance as at January 1, 2019	-
Depreciation charge for the period	(946)
<b>Balance as at June 30, 2019</b>	<b>22,780</b>

**Lease liabilities**

	<b>June 30, 2019</b>
Balance as at January 1, 2019	<b>22,606</b>
Charge for the period (charged in finance cost)	<b>563</b>
<b>Balance as at June 30, 2019</b>	<b>23,169</b>



**Arabian Pipes Company**

(A Saudi Joint Stock Company)

**Notes to the Interim Condensed Financial Statements****for the six month period ended June 30, 2019**

(All amounts are in Saudi Riyal "000" unless otherwise stated)

**5- Leases (continued):****Extension and termination options**

Extension and termination options are included in a number of property, plant and equipment leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

**6- Statutory Reserve**

In accordance with former Saudi Companies law and Company's By-laws, 10% of annual net income is required to be transferred to statutory reserve until this reserve equals 50% of the share capital. The Company's board have taken the resolution to reduce such reserve to 30% as per the new Saudi companies' regulation. Such reserve is not available for dividends distribution.

**7- Long Term Loans**

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Saudi Industrial Development Fund (SIDF)	78,000	80,000
Less: current portion	(78,000)	(80,000)
	<u>-</u>	<u>-</u>

The Company has obtained a loan from the SIDF amounting to SR 113.4 million obtained to assist in financing the construction of the Jubail Pipe Production Plant. The loan is secured by mortgaging the buildings, machinery, and equipment of the Company's factories.

The loan agreement includes conditions regarding the Company's commitment to certain financial ratios and conditions. The loan is repayable in thirteen semi-annual installments. The first installment was paid on 15 Shaban 1429H corresponding to 17 August 2008 amounting to SR 3.8 million. On 18 Rabi Al – Awwal 1436 H corresponding to 9 March 2015, SIDF agreed to reschedule the repayment of the loan to pay the balance of the loan amounting to SR 83 million in ten semi-annual installments.

The first installment of SR 1 million was paid on 26 Rabi Al-Awwal 1438H corresponding to December 25, 2016, reducing the outstanding balance at December 2017 amounting to SR 82 million.

During the period ended June 30, 2019, the Company repaid SR 2 million. As of the date of approval of these interim condensed financial statements, the Company is negotiating with SIDF to restructure the remaining installments.

**8- Short-Term Loan**

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Short-term loans	499,227	397,859
Accrued finance cost	8,114	7,644
	<u>507,341</u>	<u>405,503</u>

The Company has obtained loans from the following institutions:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Al Rajhi Bank	201,092	181,498
Riyad Bank*	236,673	46,234
Alawwal Bank	61,462	170,127
	<u>499,227</u>	<u>397,859</u>



## Arabian Pipes Company

(A Saudi Joint Stock Company)

### Notes to the Interim Condensed Financial Statements

for the six month period ended June 30, 2019

(All amounts are in Saudi Riyal “000” unless otherwise stated)

#### 8- Short-Term Loan (continued):

- \* During the period the Company has obtained interest-free facility from Ministry of Finance amounting to SR 120 million from which the Company has utilized SR 117.7 million in form of loan to meet the working capital requirements of the Company. The loan is repayable within the period of 360 days from the date of utilization.
- The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. As of June 30, 2019, the Company was in compliance with covenants of the financing agreements.
- The Company has obtained loans from local banks for the purpose of financing working capital needs. These bank facilities bear finance cost at market prevailing rates.

#### 9- Transaction with Related Parties

Transactions with related parties comprise salaries and remuneration of directors and audit committees that were made during the period between the Company and the senior management. The principal transactions with related parties and their resulting balances are as follows:

<u>Name of related party</u>	<u>Nature of transactions</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Board and audit committee members	Reward and allowances	121	-
Senior executives	Salaries and other allowances	2,109	1,941

#### Due to related party

Significant period-end balances arising from transactions with related parties are as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Key management personnel	<u>341</u>	<u>291</u>

#### 10-Provision for Zakat

The Company has submitted its Zakat return to General Authority of Zakat & Tax (“GAZT”) until the year ended December 31, 2018, but temporary zakat certificate is to be obtained. During 2018, Zakat assessment has been raised by the General Authority of Zakat and Tax for the year 2015 assessing additional Zakat of SR 2.9 million against which the Company has filed an appeal. Provision for the same is already held in the books of the Company.

Movements’ summary for the zakat is as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Balance at the beginning of the year	7,465	7,525
Provision for the year	2,447	4,382
Payments made during the year	(4,312)	(4,442)
Balance at the end of the year	<u>5,600</u>	<u>7,465</u>

#### 11-Earnings per Share

Basic and diluted earnings per share are calculated by dividing the profit for the period attributable to shareholders by the weighted average number of common shares outstanding at the end of the period amounting to 40 million shares (June 30, 2018: 40 million shares).

## **Arabian Pipes Company**

(A Saudi Joint Stock Company)

### **Notes to the Interim Condensed Financial Statements for the six month period ended June 30, 2019**

(All amounts are in Saudi Riyal “000” unless otherwise stated)

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#### **12- Segment Reporting**

##### **Operating segment**

The Company's products are manufactured in Saudi Arabia and have two segments, the steel pipe production segment, and steel pipe packaging segment. The pipe packaging segment has not achieved any of the quantitative limits referred to in IFRS 8 ‘Operating Segments’. Accordingly, the segmental operating information has not been disclosed in the accompanying interim condensed financial statements.

##### **Geographic segment**

During the period ended June 30, 2019, approximately 0.32% of the Company's sales were export sales to the Gulf and Middle East countries, with approximately 99.68% domestic sales (approximately June 30, 2019: 4.7% export sales to Gulf and Middle East countries, approximately 95.3% domestic sales). All of the Company's assets and liabilities are in Saudi Arabia.

#### **13- Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of the Company's financial instruments is a reasonable approximation of fair value.

#### **14- Non-Adjusting Events after Statement of Financial Position Date**

The Company does not have non-adjusting events after the statement of financial position date.

#### **15- Approval of the Interim Condensed Financial Statements**

The interim condensed financial statements ended June 30, 2019 have been approved by the board of directors on August 1, 2019.